



September 2, 2004

California Energy Commission
Dockets Office
Attn: Docket No. 03-IEP-01
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

In the Matter of:

)
) Docket 03-IEP-01
)

Informational Proceeding and
Preparation of the 2004 **Integrated**
Energy Policy Report (IEPR) Update

)
) Notice of Committee
) Workshop and White Paper Availability
) on the 2004 Transmission Update
)

Dear Energy Commissioners and Staff:

Calpine Corporation ("Calpine") appreciates the opportunity to submit the following comments to the July 2004, Draft Staff White Paper titled Upgrading California's Electric Transmission System: Issues and Actions for 2004 and Beyond. Calpine's comments, which supplement the comments given orally at the August 23, 2004 workshop, are as follows:

1. On page 68 of the draft white paper, under the heading "Otay Mesa Power Purchase Agreement Transmission Project (OMPT)", the final sentence in the third paragraph reads; "To receive the maximum value from this contract, SDG&E needs to construct two transmission lines, neither of which was considered with the cost of the purchase agreement." Calpine requests that the sentence be changed to end after the word "*lines*" and that the words "*neither of which was considered with the cost of the purchase agreement*" be deleted.

Calpine's basis for this change is as follows: In its Decision 04-06-011 approving the Otay Mesa power purchase agreement, the California Public Utilities Commission (CPUC) considered the evidence and found that, with the exception of \$16 million in upgrades that Calpine is obligated to pay for, the transmission line upgrades were not part of the Otay Mesa project. Therefore, the issue of transmission line costs associated with the project was considered and decided upon by the CPUC. Calpine's proposed change to the draft white paper would modify the sentence so that it accurately reflects the record.

2. The draft white paper recommends on page 75 that a study group be formed to develop a transmission plan for the Salton Sea Geothermal area. Calpine supports this recommendation, and would like to see it expanded to provide for study groups

of other renewable resource areas that face transmission constraints. Calpine's proposed projects in Siskiyou County have permits to interconnect into the Bonneville Power Administration's transmission system in California. In order to bring this renewable power into the CAISO controlled grid, the projects face pancaked wheeling charges, line losses, import charges and transmission constraints that make the prospect difficult. Calpine believes that an Energy Commission sponsored study group could help resolve these issues.

Thank you for considering Calpine's comments. Please contact me if you have any questions regarding these comments.

Sincerely,

Jack Pigott
Director, Renewable Affairs
Calpine Corporation
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